

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

COMPETITIVE PRODUCTS PRICE CHANGES
RATES OF GENERAL APPLICABILITY

Docket No. CP2012-2

**RESPONSES OF THE UNITED STATES POSTAL SERVICE
TO CHAIRMAN'S INFORMATION REQUEST NO. 1**
(December 13, 2011)

The United States Postal Service hereby provides its responses to Chairman's Information Request No. 1, which was issued on December 8, 2011. Responses were due by December 13, 2011. Each question is reprinted verbatim and is followed by the Postal Service's response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE
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December 13, 2011

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1. Please refer to Excel file "NonPublic Annex Jan-errata.xls," lines 20-27, which displays the FY 2012 financial forecast for Parcel Select based upon a January 22, 2012 implementation. The above-referenced file shows that the FY 2012 forecasted cost coverage for Parcel Select is less than 100 percent.

- a. In the response to supplemental information question 1(d), the Postal Service states the following:

The Postal Service has filed a notice of a competitive price adjustment for Parcel Select rates that demonstrates in the financial forecast that the proposed price increases ensure that Parcel Select as a whole covers its costs, which meets the Commission's requirements.

Please explain how the FY 2012 forecasted cost coverage for Parcel Select (line 26) complies with 3633(a)(2). In doing so, please provide an electronic spreadsheet (along with the applicable input data) that shows how the FY 2012 forecasted cost coverage for Parcel Select is greater than 100 percent.

- b. Please confirm that the Lightweight Parcel Select volume, revenue, and cost estimates (lines 21 and 26) assume that the volumes, revenues, and costs constitute all 12 months of FY 2012. If not confirmed, please explain.
 - c. Please confirm that for FY 2012, Lightweight Parcel Select volumes, revenues, and costs estimates should constitute approximately 9 months (January 22, 2012 through September 30, 2012). If not confirmed, please explain.

RESPONSE:

- a. Please refer to Excel file "NonPublic Annex Oct-errata.xls", line 27, which shows cost coverage for Parcel Select that exceeds 100 percent. The "NonPublic Annex Jan-errata.xls" file shows the effects of nine months of the new prices, while the "NonPublic Annex Oct-errata.xls" file shows the effects of a full year of the new prices. The instant competitive price change will take effect in the middle of FY 2012, and in the Postal Service's view, the effects of such a price change should be judged upon a full one-year time period. Therefore, the Commission should rely on the "NonPublic Annex Oct-errata.xls" file when examining compliance with section 3633(a)(2).

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b. Confirmed.

c. Confirmed, if one were to ignore the period before January 22, 2012 because, technically, the classification of Lightweight Parcel Select did not exist at that time.

However, as mentioned in the response to Question 1(a) above, the Postal Service believes that an entire fiscal year at the new rates is the appropriate test; therefore, this illustrative measure involving January 22 as an implementation date assumes that these parcels do indeed exist before January 22, albeit not technically in the Lightweight Parcel Select classification.

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2. FY 2012 projected revenues for Lightweight Parcel Select will be less than the corresponding attributable costs. How will this affect competitors for Lightweight Parcel Select in FY 2012?

RESPONSE:

Although the Postal Service's proposed price increase for Lightweight Parcel Select was larger than any other increase within the Parcel Select product, projected revenues will be less than the corresponding attributable costs in FY 2012, which will mitigate the effect on competitors in FY 2012. Nevertheless, the Postal Service intends to continue to raise prices within this category in the future, keeping in mind cost coverage, market conditions, the effect on customers, and other factors, and ensuring that Parcel Select as a whole continues to cover its cost.

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3. Please elaborate on the Postal Service plans to increase the price for Lightweight Parcel Select in the future.

RESPONSE:

The Postal Service will determine future prices for Parcel Select as a whole, including increases for Lightweight Parcel Select, by considering cost coverage, market conditions, the effect on customers, and other factors, and ensuring that Parcel Select as a whole continues to cover its cost.